

PROJECT OVERSIGHT REPORT

Merchandising Business System (MBS)
Washington State Liquor Control Board (WSLCB)

Report as of Date:
April 2003

Project Director: Linda Bremer
MOSTD Staff: Andy Marcelia

Executive Sponsor: Pat Kohler

Description: The 2001 Legislature authorized the Washington State Liquor Control Board (WSLCB) to replace its Point of Sale (POS) software with a commercially available product capable of managing and supporting the agency's retail business. These business activities include procurement (timely sales and marketing data), distribution (electronic tracking of shipping and handling), wholesale and special orders, and POS in the 157 state liquor stores. The agent stores are not included in the scope of this project.

The WSLCB issued a Request for Proposal (RFP) and selected GERS Retail Systems as the vendor. GERS is a leading supplier of merchandising, point-of-sale, and e-business solutions for retailers. They have installed more than 400 systems for customers in the United States, Canada, and Japan, and cover markets such as general merchandise, specialty soft lines and hard lines, telco, consumer electronics, and home furnishings. Under the WSLCB contract with GERS, GERS will provide project management support for the project. The WSLCB staff will work closely with the vendor to ensure knowledge transfer occurs during the project.

Technology: The WSLCB has installed the IBM AIX/Oracle platform as proposed by GERS. The project will include replacement of the POS equipment in the state operated liquor stores with industry standard IBM cash registers and related equipment.

Life Cycle Stage: The project is in the development phase. WSLCB signed a \$4 million contract with GERS to implement the MBS functionality by June 30, 2003 at the host site and in one state operated liquor store.

Budget: The appropriation for this project is \$4,802,720. The GERS contract is for \$4 million. To date, the WSLCB has planned expenditures totaling \$1,985,352 for host computer equipment, POS and host software, and implementation and contract services. Services include: assisting the WSLCB with requirements, vendor and product selection, external quality assurance services with Sterling Associates, interface analysis, design and development. The contract defines payment amounts for each deliverable. Interface development necessary for existing WSLCB applications and enhancements to the GERS application is an addition to the GERS contract for an additional \$464,000. There will be a contract amendment for development services performed by GERS for function and features not included in the original contract. To maintain equipment standardization and address space considerations, the WSLCB upgraded the monitors of the 550 POS terminals, which added approximately \$166,100.

The WSLCB is working on methods to allow paying project expenditures in the next biennium since that probability is high. There is a request to carry forward \$2 million of proviso funds in the Governor's budget proposal if the project is underspent in the current biennium.

Schedule: In early January, GERS informed the WSLCB that several required enhancements and interfaces would be delivered three months later than originally scheduled. This revision impacts the dates of several milestones including delaying the final software delivery date from February 17, 2003 to May 15, 2003. A revised project plan has not been provided. The delay adds significant risk to the project not being able to start implementation by June 30, 2003.

The WSLCB is continuously assessing ways to develop risk mitigation strategies. The WSLCB will be receiving modules of the enhancements as they are completed with the last deliverables due May 15. This will allow for training and limited cycle testing prior to May 15 as modules are delivered. However, the delay has substantially increased project risk of being able to achieve the expected results by June 30, 2003 and has not been reflected in the project plan, which is GERS responsibility per the contract. The delay of required enhancements and interfaces severely limits the time needed for the WSLCB to test before implementation that is scheduled for June 30, 2003. The WSLCB's goal in the schedule is to have five stores implemented by June 30, 2003. The WSLCB wants all 157 state stores converted by September 2003.

The table below includes milestones and original schedule dates. Some new milestones will be added and some project milestone dates will have to be revised.

Milestone	Completion Schedule	Status
1. Finalize Project Plan and Implementation Plan	October 2002	Complete
2. Install host equipment and application software	December 2002	Complete
3A. Configure and test application without mods	February 2003	In process
3B. Configure and test with mods and interfaces	February 26, 2003	Delayed
4. Acquire POS equipment	April 22, 2003	
5. Complete pilot	June 30, 2003	
6. Complete staff training	April 11, 2003	
7. Certify POS stations	June 30, 2003	
8. Complete documentation	June 30, 2003	
9. Store 1 implementation complete	June 30, 2003	

Status: The project schedule continues to be extremely tight, compounded by the delay announced by GERS in January 2003. Activities are going forward on several areas of the project: development of enhancements and interfaces, testing delivered software, identifying test outcomes, identifying needed fixes, approving deliverables, acquiring, installing, and configuring hardware and application software, acquiring point-of-sale equipment, and training. There is a lot of pressure on the staff caused by all of the work necessary to be successful on this project and by the diminished time available. There is no contingency time remaining in the schedule.

The WSLCB does not have enough business experts to deal with all the demands for information about business processes needed on the project, to meet the demands for timely decisions, or to understand and prepare for the transition from the old to the new processes of the business when the GERS system is implemented. The WSLCB is also limited by the fact that it does not have enough staff with a broad knowledge of the organization to recognize issues between divisions to prepare for the transition. In the past, divisions operated within functional information silos, which is a limitation now when a broader business view is essential.

The WSLCB decided to outsource the interface development to GERS rather than take the additional risk that the internal staff could acquire the skills. The decision to outsource adds cost to the project included in the above stated cost projections but minimizes the risk and impact to the schedule. Having the vendor develop the interfaces within the core functionality of their software assures the WSLCB that this functionality is available in future releases.

There is considerable concern that GERS has not provided a revised project plan since their announcement of the 90-day schedule delay. GERS response has been that they have found it detrimental to manage daily tasks utilizing the project plan. GERS has stated they believe it is more important to have their project manager communicating with the client and GERS resources instead of maintaining a project schedule on a daily basis. There is also concern that GERS does not understand the extent of the required enhancements (bailment, tax distribution, and price calculation) and interfaces that were the basis of the 90 day schedule delay. These matters were discussed again with GERS executives at a meeting in San Diego and GERS is supremely confident they can make the new schedule.

Sterling Associates is providing QA services and is actively involved providing their expertise to the project.

Recommendations: ISB oversight staff have provided the following recommendations to the WSLCB.

- The WSLCB needs to make decisions faster. Committing resources full time from each of the divisions of the agency and requesting GERS to locate staff in Olympia for the duration of the project would aid faster decision making. GERS has assigned a senior executive to the project, which will also facilitate decision making. **Action:** GERS and WSLCB have added resources to the project and WSLCB staff are traveling to San Diego to provide support and learn more about the program. GERS has also agreed to provide more onsite support in the closing weeks of the project, which will aid communications and decision making.
- The WSLCB needs to maximize time for interface testing. If the WSLCB can receive from GERS the new interfaces from GERS as they are completed, rather than having to wait until May 15, the WSLCB could have more time for testing. The WSLCB needs to request that GERS developers be on call during WSLCB testing to resolve any problems and prioritize bugs and fixes, this would allow quick problem resolution and, hence, mitigate risk. **Action:** GERS is providing WSLCB staff access to alpha versions of liquor board enhancements to enable WSLCB to provide timely feedback to GERS development staff and to validate that the agency's RFP requirements are satisfied. To accomplish this work, WSLCB staff have to travel to San Diego where GERS is located.
- The WSLCB needs to improve its communications related to this project. The WSLCB recognizes the extreme political sensitivity surrounding their IT projects. They need to involve their communications office to improve project communications. **Action:** The WSLCB has assigned the agency Communications Director the responsibility for project communications planning and coordination.
- The WSLCB needs to decide, due to the compressed schedule caused by the GERS delay, if it should continue to strive to implement five stores by June 30 or to reschedule to allow for adequate testing of the new system, user acceptance testing, user training, and procedure development. Getting a current project schedule from GERS will facilitate the WSLCB decision in this matter.
- The WSLCB needs to prevail upon GERS to meet the project management standards outlined in the contract to provide improved project management activities that identify adjustments in the project plan to meet the objectives of this project. GERS has not maintained a current, detailed project plan on a regular basis to identify delays, slippages, and where resources are needed. Taking remedial action without losing time will be critical to maintaining a new schedule.
- The WSLCB/GERS staff needs to perform a detailed review and compare RFP requirements (bailment, tax distribution, and price calculation) to GERS modifications to insure that GERS modifications will meet the WSLCB requirements.